11/9/87 A2350-2

November 1987

A2350-2
11/9/87

Monopoly Newspapers Face Competition Aplenty

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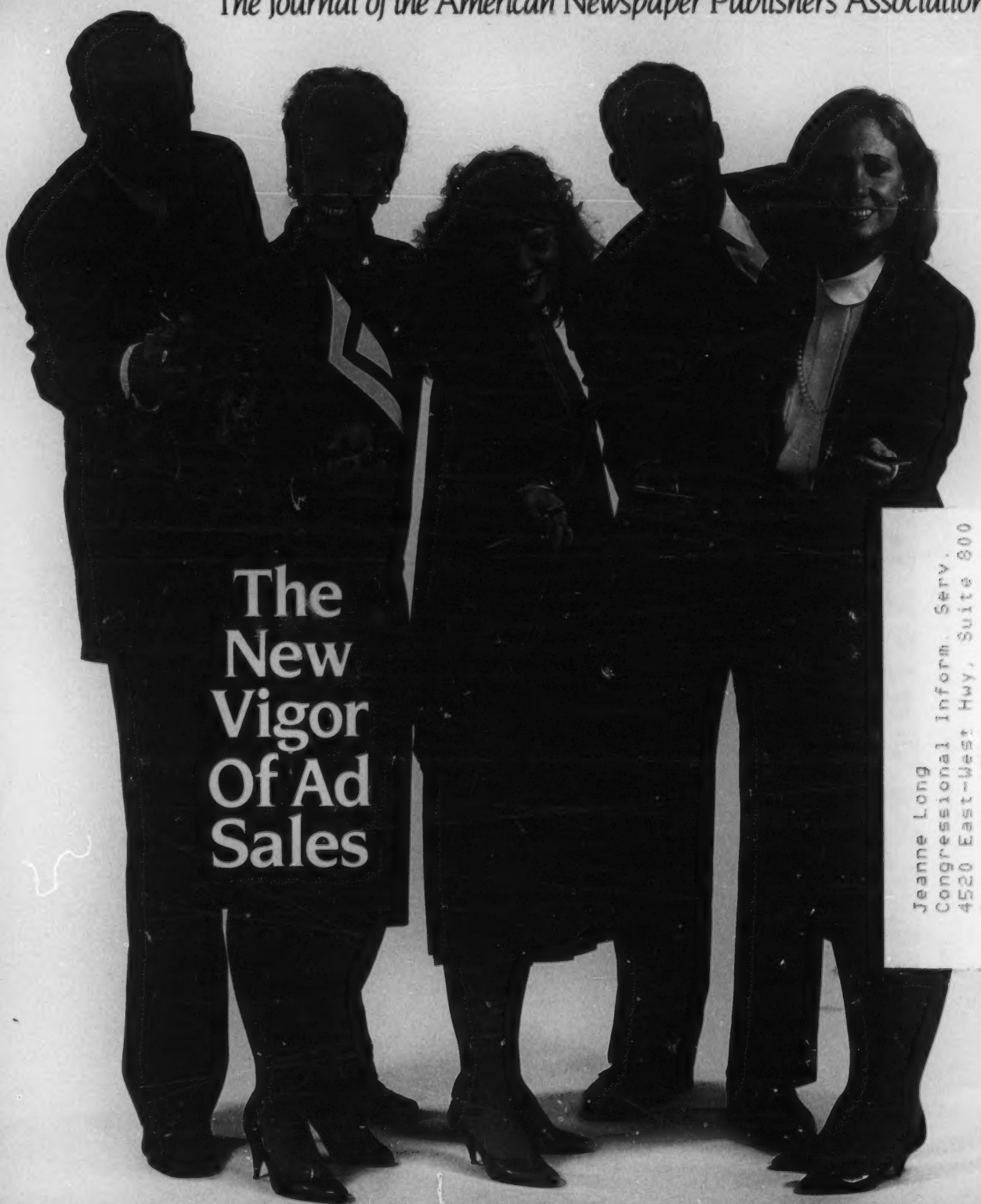
The Journal of the American Newspaper Publishers Association



The New Vigor Of Ad Sales

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presstime

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Special Report *The local advertising game has changed, and newspapers are fielding a new team of salespeople to play it. They are better educated, the majority are women, and they are being trained to be "marketing consultants" to their retail accounts. As the competition for retail advertising has heated up, newspapers also have begun to change the way they pay their salespeople. Taking a cue from broadcast media, whose sales reps have a reputation for being more aggressive and having market savvy, newspapers are providing greater financial incentives to sell.* **24**

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CHAIRMAN'S CORNER

Don't try to quantify editorial excellence

Keeping score is one of the things we all, as business managers, try to do. We quantify what we do. And we measure results against various standards—industry standards, operating plans, historical performance, competitors' activities, among others. It is rational. We control by the numbers.

But we are in a wonderful business that requires us, on important matters, deliberately to substitute experienced judgment for rational measurement.

I talked about this at a meeting of the International Newspaper Financial Executives, pointing out that we quantify just about everything: ad volume against budget, last week and a year ago; circulation starts and stops and penetration levels; ad content versus news content in each edition; mechanical cost per page; and operating costs and income against time periods, budgets, norms, trend lines, market expectations and other companies' performances.

George W. Wilson

But how do you score staff pride and fulfillment, well-written leads, skillful interviewing and good stories that engage readers and move them either to action or fresh understanding?

We cannot very well assign numbers to the editorial genius, judgment and gut instinct, sharpened by experience, that lead a reporter, editor or publisher to pursue a story no one else is doing. Newspaper news work is at heart a creative process involving people who take chances trying to capture at one moment in time that most elusive and precious

If journalists' work is not to be merely clerical and mechanistic, we must allow writers and editors great latitude and understanding for a function that requires imagination, persistence and careful nurturing.

Newspaper reporting, editing and commentary make up the institutional, social and constitutional bedrock of what we are all about. And the process doesn't lend itself to cost/benefit analysis.

I am reminded of what E.B. White wrote about those who try to analyze humor:

"Humor can be dissected, as a frog can, but the thing dies in the process and the innards are discouraging to any but the pure scientific mind. . . . Humor won't stand much poking. . . . It has a certain fragility, and evasiveness, which one had best respect. . . ."

As we newspaper people construct our necessary business numbers, measure progress and keep score, let's not forget that editorial excellence evades useful quantification.

And it won't stand much poking.

George W. Wilson
ANPA Chairman

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Presstime magazine (ISSN 0194-3243) is published monthly by the American Newspaper Publishers Association, 11600 Sunrise Valley Drive, Reston, Va. 22091. Basic subscripoon rate of $50 a year is included in members' dues. Non-member rate is $100 domestic, additional overseas. Second-class postage paid at Reston, Va., and additional mailing offices.

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POSTMASTER: Send address changes to presstime, ANPA, Box 17407 Dulles Airport, Washington, D.C. 20041.

BPA Presstime is a member of the Business Publications Audit of Circulation Inc.

Stocks stable as consumption rises

Newsprint consumption continues to climb.

In September, all U.S. users consumed 4.8-percent more newsprint than during the same month in 1986. Their increase for the first nine months of this year was 2.9 percent.

Consumption by U.S. dailies was 4.2-percent higher in September and 4.9-percent higher for the nine-month period.

At the end of September, stocks of newspapers in ANPA's statistical sample were exactly the same as a year earlier—42 days' supply. North American mill stocks, however, were down 9.5 percent, from 346,223 tons to 313,271 tons.

September mill operating rates were 96 percent in Canada and 95.1 percent in the United States. For the first three quarters of 1987, the U.S. and Canadian operating rates were 94.4 percent and 97 percent, respectively.

Canadian production in September was 7.1 percent above last September's and U.S. production increased 6.8 percent. For the first three-quarters of the year, North American production increased by 4.3 percent.

Estimated consumption of all U.S. daily newspapers[1]

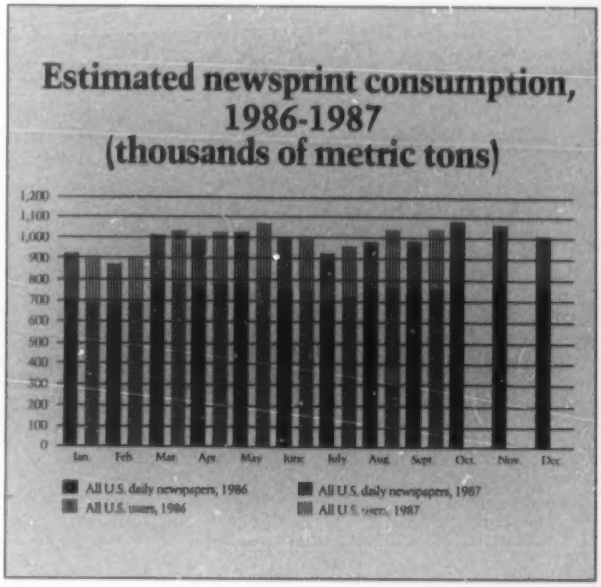
Region	August 1987(r)	August 1986	% Change
Northeast	196,589	181,376	+8.4
North Central	164,020	157,318	+4.3
South	237,176	232,939	+1.8
West	173,634	162,614	+6.8
Circulation Size			
up to 25,000	60,290	56,673	+6.4
25,001-100,000	162,384	152,036	+6.8
Over 100,000	548,745	525,538	+4.4
August totals	771,419	734,247	+5.1
Eight-month totals	6,044,760	5,756,843	+5.0
Region	**September 1987(p)**	**September 1986**	**% Change**
Northeast	195,403	191,337	+2.1
North Central	164,339	157,788	+4.2
South	233,201	222,909	+4.6
West	172,654	162,567	+6.2
Circulation Size			
up to 25,000	59,179	55,524	+6.6
25,001-100,000	160,283	146,340	+9.5
Over 100,000	546,135	532,737	+2.5
September totals	765,597	734,601	+4.2
Nine-month totals	6,810,357	6,491,444	+4.9

Estimated consumption of all U.S. users

	1987	1986	% Change
July totals	967,075(r)	931,431	+3.8(r)
August totals	1,045,178(r)	997,342	+4.8(r)
September totals	1,047,014(p)	998,655	+4.8(p)
Nine-month totals	9,010,490(p)	8,760,446	+2.9(p)

Production

	Canada	U.S.A.	North America
September 1987	796,750	448,187	1,244,937
September 1986	743,874	419,525	1,163,399
Increase	+52,876	+28,662	+81,538
	+7.1%	+6.9%	+7.0%
Nine months 1987	7,250,839	3,948,348	11,199,187
Nine months 1986	6,915,802	3,825,284	10,741,086
Increase	+335,037	+123,064	+458,101
	+4.8%	+3.2%	+4.3%



Shipments

From Canadian mills	U.S.A.	Canada	Export	Total
September 1987	631,262	102,630	118,177	852,069
September 1986	591,250	95,512	153,600	840,362
Nine months 1987	5,273,382	857,719	1,126,147	7,257,248
Nine months 1986	5,017,857	812,607	1,098,142	6,928,606
Increase	+255,525	+45,112	+28,005	+328,642
	+5.1%	+5.6%	+2.6%	+4.7%
From U.S. mills				
September 1987	434,618		16,684	451,302
September 1986	408,107		29,195	437,302
Nine months 1987	3,735,346		219,600	3,954,946
Nine months 1986	3,567,838		245,311	3,813,149
Increase or decrease	+167,508		-25,711	+141,797
	+4.7%		-10.5%	+3.7%
From North American mills				
September 1987	1,065,880	102,630	134,861	1,303,371
September 1986	999,357	95,512	182,795	1,277,664
Nine months 1987	9,008,728	857,719	1,345,747	11,212,194
Nine months 1986	8,585,695	812,607	1,343,453	10,741,755
Increase	+423,033	+45,112	+2,294	+470,439
	+4.9%	+5.6%	+0.2%	+4.4%

Stocks

U.S. publishers[2]	Tonnage	Days' supply On hand	Days' supply In transit
July 1987	931,330	39(r)	6(r)
July 1986	892,127	39	6
August 1987	904,565	37(r)	6
August 1986	892,786	38	6
September 1987	917,741	36p	6(p)
September 1986	904,331	36	6
Canadian mills			
September 1987	270,795	—	—
September 1986	277,593	—	—
U.S. mills			
September 1987	42,476	—	—
September 1986	68,630	—	—

[1]Based on stratified data from newspapers in ANPA statistical sample; figures in this and other tables are in metric tons.

[2]Represents stocks of newspapers in ANPA statistical sample.
(r) = revised (p) = preliminary

Newspaper stocks, like others, are 'battered' in volatile October market

Newspaper companies rode the same stock market roller coaster as the other publicly traded firms Oct. 12-23—the two most volatile weeks of trading on record. And in the last week of October, the market was still unstable.

"They've all been battered the way anyone else has been battered," said John Morton, a newspaper analyst with Lynch, Jones & Ryan in Washington, D.C.

By the end of the two-week period, the newspaper companies as a group had regained some of the ground lost during the market's free fall. And executives at two of the firms said they are confident the gyrations will not affect profitability in the short term.

"We'll have a very good fourth quarter," said Douglas H. McCorkindale, vice chairman and chief financial officer of Gannett Co. "There are no indications of a dramatic reaction" to the 25-percent decline in its stock value during the two weeks. (See table.) In the long term, he said, "It takes time to settle down . . . and see how advertisers react, and they will react only after the consumers react."

Alvah H. Chapman Jr., chairman and chief executive officer of Knight-Ridder Inc., whose stock declined 22 percent during the period, said, "The volatility of the stock *per se* wouldn't affect profitability unless it affects the economy of the country, which would affect advertisers."

Both executives said there should be no impact on the companies' pension funds.

As a group, the 15 publicly traded newspaper companies tracked by Morton Research dropped a net 23 percent over the two weeks—1 percent more than the 22-percent net drop of the widely watched Dow Jones average of 30 industrial stocks.

From a closing high of 844.24 on Tuesday, Oct. 13, the Morton index dropped to 771.42 by the end of the first week and then plummeted to 564.16 on the "black Monday" of Oct. 19—a decline of 33 percent in just four trading days.

After slipping further to 537.29 a day later, the newspaper stocks rebounded, closing out the second week at 651.74, for the 23-percent net loss for the period.

The Dow Jones Industrial Average fell from an Oct. 13 high of 2508.16 to 2246.74 on Oct. 16, then plummeted to a two-week low of 1,738.74 on black Monday—a decline from peak to valley of 31 percent. The DJIA ended the second week at 1,950.77, for the 22-pecent decrease for the period. (See chart.)

Curtis L. Alexander, a securities analyst with Mabon, Nugent & Co. in New York City, noted that from the time most newspaper stocks reached their highest-ever price in August until Oct. 23, their decline as a group was 32.8 percent.

Their performance, particularly during the hectic week of Oct. 19-23 that broke all stock exchange records in numbers of shares traded, "is exactly in line with the market and what you would expect," said Alexander.

"They (the newspaper companies) took a bath," said John S. Reidy, a media analyst for Drexel Burnham Lambert in New York City.

The market "is highly volatile," Reidy said, "and nobody really is thinking much about the fundamentals of the (newspaper) business, such as the presumed ability of these companies to produce consistent, or at least a very predictable, long-term growth in cash flow and operating earnings."

Overall, newspaper stocks did not fare noticeably better or worse than stocks for other media industries, he added.

Among newspaper companies, Affiliated Publications was the only one to announce a plan to buy back its stock as a means of propping up its price per share. It said it would buy back up to 1 million shares.

At least two newspaper companies suspended trading for a while.

After The Washington Post Co. stock dropped 14 points Oct. 16 to $221 a share, it did not reopen for trading until about noon Oct. 21. It was one of five low-volume stocks suspended from trading by officials of the American Stock Exchange because of the extreme "imbalance of orders"—the gap between the selling price and offers to buy.

On the New York Stock Exchange, Gannett stock was suspended from trading for about half an hour Oct. 21 because of an imbalance of orders, McCorkindale said. □

Stock market closing price indexes

Index points
Dow Jones 30 Industrials
Morton Newspaper Index*
10/12 10/13 10/14 10/15 10/16 10/19 10/20 10/21 10/22 10/23
*Composite of 15 public newspaper companies, prepared by Morton Research

Alberto Pacheco

Roller coaster ride of 15 public newspaper companies' stock prices

	Oct. 12	Oct. 19	Oct. 23	% Change
Affiliated Publications Inc.	65⅜	50¼	50	-24
A.H. Belo Corp.	66	57¾	53	-20
Capital Cities/ABC Inc.	413½	356	336½	-19
Dow Jones & Co.	40¾	28⅞	33	-19
Gannett Co.	47¾	32¾	36	-25
Knight-Ridder Inc.	51¼	43⅜	39⅞	-22
Lee Enterprises Inc.	28⅝	25½	22½	-21
Media General Inc.	39⅞	35⅛	31⅛	-21
Multimedia Inc.	67¾	60	46¾	-31
The New York Times Co.	39⅜	29½	31½	-20
Park Communications Inc.	36½	33	29	-21
Pulitzer Publishing Co.	43¾	37¾	34¼	-21
The Times Mirror Co.	97½	68	74⅛	-24
Tribune Co.	45½	30¼	36⅝	-19
The Washington Post Co.	242	221	189	-22

Source: Morton Research